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Report Highlights:
Taiwan's pig production is forecast to recover in 2003 in response to high 2002 prices. At the same time, U.S. exports of beef and some pork products are expected to increase because of Taiwan's improved economic prospects and WTO accession. With Taiwan's WTO accession on January 1, 2002, imports of beef variety meats were liberalized while trade in pork bellies and variety meats were moved to a Tariff Rate Quotas (TRQ) system.   The TRQ's will increase from year to year until full liberalization in 2005.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Taiwan's accession to the World Trade Organization (WTO) on January 1, 2002 has brought new opportunities to traders and new challenges to the local livestock industry. Upon WTO accession, in addition to wide-ranging tariff reductions and further relaxation of import controls, Taiwan transformed the pre-accession "down-payment" quotas for pork bellies and pork offal into Tariff Rate Quotas (TRQ). The quota size, though the same in 2002 as in 2001, will increase and tariffs will decrease in the following years until imports are liberalized in 2005.

As the Taiwan economy recovers in 2002-3, beef imports are expected to grow and U.S. market share will likely increase. However, the privileged tariff position of U.S. choice and prime beef will gradually be eroded as tariffs for all qualities of beef are equalized in 2004. Imports of beef variety meats were fully liberalized upon Taiwan's WTO entry. Without the cumbersome bidding for quotas and with lowered import tariffs, imports of beef variety meats should grow healthily in the coming years, though Australia and New Zealand may take the largest share of the market.

Pork imports depend heavily on local pig prices. In late 2002, pork meat imports are expected to increase in line with higher local pig prices but will likely level off in 2003. The local hog industry will not likely contract significantly in the immediate post-accession environment because of continuing quota controls and a relatively cost-competitive domestic industry. While the Council of Agriculture (COA) has predicted a medium-term, one million head decline in Taiwan's seven million head pig population as a result of WTO-related trade concessions, Post and most industry analysts believe the actual decline will be significantly less. Contraction in domestic production and anticipated rise in consumption may result in increased import demand for pork meat and offal in the medium-term. In the long term, the efficient pig industry will continue to produce pork for the local market, while imports will enter for processing or supplementing occasional shortfalls. The demand for pork offal, which supplements the reduced local supply since the 1997 foot-and-mouth disease outbreak, is expected to remain strong for the foreseeable future.

As Taiwan's current leading supplier of pork and pork offal, U.S. suppliers should benefit most from WTO market opening measures. Sanitary concerns are likely to keep key competitors, such as South Korea and Mainland China, off the market for several years.

BEEF

Table 1. Taiwan Beef Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	32	25	0	25	0	25
Beginning Stocks	0	0	0	0	0	0
Production	5	5	5	5	0	5
Intra EC Imports	0	0	0	0	0	0
Other Imports	80	77	84	84	0	86
TOTAL Imports	80	77	84	84	0	86
TOTAL SUPPLY	85	82	89	89	0	91
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	85	82	89	89	0	91
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	85	82	89	89	0	91
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	85	82	89	89	0	91
Calendar Yr. Imp. from U.S.	15	15	17	17	0	18
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

The conversion factor used to derive the carcass weight equivalent (CWE) for beef in the above PSD table is 1.36. Beef variety meats imports are not included in the beef PSD table. The PSD table and Trade table include beef traded under HTS 0201 and 0202. Trade of processed beef, under HTS 021020 and 160250, are negligible (less than 300 mt).

Trade

In 2002, Taiwan's economy slowly recovered from its first decline in fifty years, and is expected to grow at a moderate 3 percent annual rate. Although this growth lags well behind Taiwan's recent historical average of 5 percent, it should help stabilize the New Taiwan Dollar and consumer purchasing power, boosting the consumption of meat products.

Total CY2002 beef imports are forecast to grow by 5 percent to 61,700 mt (84,000 mt CWE). In 2003, growth is expected to continue because of Taiwan's improving economy and lower duties. In the first half of 2002, the U.S. market share increased slightly but the most significant change was New Zealand exports cutting into Australia's market share. U.S. market share in the second half of 2002 and in 2003 will depend on prices and exchange rates relative to competitors. If U.S. beef prices fall as expected, market share should increase slightly.

U.S. exports should also benefit as Taiwan consumers move towards the higher-end U.S. products. This should be especially promising for quality U.S. beef consumed in more expensive restaurants. This should partially reverse 2002 gains in market share made by Australia and New Zealand as consumers shifted their beef intake to the cheaper muscle meat. However, trading volumes may be volatile as importers continue moving from year-long to monthly import contracts with suppliers. In the long-run, market efforts by the newly formed U.S.- New Zealand-Australia Beef Alliance should increase demand for beef products. Industry sources believe that imports could rise to more than 70,000 tons.

Final CY2001 imports, 56,904 mt (77,000 mt CWE) were down 6 percent from 2000 levels because of Taiwan's sluggish economic performance and some substitution for beef by cheaper domestic pork.

Table 2. Taiwan Beef Imports, 2001 and Jan-June 2001 & 2002 (mt)

Supplying Source	U.S.	Canada	Australia	New Zealand	Panama	Total
2001	10,854	3,000	28,755	14,224	71	56,904
-'01Share (%)	*19%*	*5%*	*51%*	*25%*	*>1%*	
2001 (Jan-Jun)	5,411	1,697	14,821	8,865	14	30,808
2002 (Jan-Jun)	7,024	1,600	14,993	10,098	144	33,859
-'02 Share(%)	*21%*	*5%*	*44%*	*30%*	*>1%*	

Source: Board of Foreign Trade

<u>Beef Offals</u>

Imports of beef offal, formally subject to an import quota, were liberalized on January 1, 2002 in line with Taiwan's accession to the World Trade Organization (WTO). Accession ended the beef offal quota which had been in operation since 1998 and had a fill rate of only around 30 percent. Final 2001 offal imports under the quota totaled 3,436 mt out of the 10,000 mt of quota. Fill rates had been depressed by a cumbersome bidding process.

Beef offal imports are expected to increase significantly after WTO accession as demonstrated by first half 2002 performance. Post does not expect very rapid increases because the Taiwan market generally does not offer high prices for beef offal. Imports should stay high because local demand exceeds supply.

Although imports of variety meats should grow in coming years, Australia and New Zealand may take the largest market shares because of their location. Since offals are a lower cost product than meat, lower transport costs will give them an advantage in the Taiwan market. Since accession, the largest loser in the Taiwan market has been Denmark, mostly because of BSE concerns. The U.S. and Australia have also lost some market share while the largest winner has been New Zealand.

Table 3. Taiwan Beef Offal Imports, 2001 and Jan-June 2001 & 2002 (mt)

Supplying Source	U.S.	Canada	Australia	New Zealand	Denmark	Total Imports	Quota Size*
2001	1,043	117	1,666	0	319	3,145	10,000
-'01 Share (%)	*33%*	*4%*	*53%*	*0%*	*10%*		
2001 (Jan-Jun)	806	93	1,035	0	201	2,135	10,000
2002 (Jan-Jun)	493	91	865	522	0	1,971	Liberalized
-'02 Share(%)	*25%*	*5%*	*44%*	*26%*	*0%*		

Source: Board of Foreign Trade
*Full year quota
** Offal imports are not included in the PS&D table.
***2001 table used preliminary data because country breakdowns were not available for final data.

Policy

Tariffs

Taiwan grants a small preferential tariff to special quality beef (SQB) to encourage imports of SQB versus lower quality beef that competes with Taiwan's own production. USDA-graded prime or choice beef and Canadian AAA beef are automatically considered SQB while beef from other sources is dutiable at a higher rate. Upon accession to the WTO on January 1, 2002, Taiwan cut the tariff rate for SQB to NT$20/kg and will drop to NT$10 in 2004 (roughly NT$34=US$1 in September 2002). The tariff rate for non-SQB was lowered to NT$24/kg upon accession and will decline to NT$10/kg in 2004. The tariff gap between SQB, in which the U.S. dominates, and non-SQB will be narrowed until it no longer exists in 2004.

Upon Taiwan's WTO accession, import tariffs for beef offal, formerly ranging from 20 to 50 percent with most falling under the 50 percent category, were lowered to 20-25 percent, and will be phased down to 15% by January 1, 2004.

Muscle meat such as shin, shank, short plate, brisket, ribs, and rib finger is classified as shin/shank/intercostal (s/s/i) cuts. The duty of U.S. s/s/i has been bound at NT$23.8/kg with its definition being detailed in the U.S.-Taiwan Beef Agreement in 1990. This preferential duty applies to U.S. s/s/i only, not to Canadian AAA s/s/i, let alone non-SQB s/s/i.

Table 4. Tariff Comparison for Beef and Beef Offal

Beef Category/Year	2001	2002	2003	2004
Special Quality Beef	NT$22.1/kg	NT$20/kg	NT$15/kg	NT$10/kg
Non-SQB	NT$27/kg	NT$24/kg	NT$17/kg	NT$10/kg
SQB-S/S/I	NT$23.8/kg	NT$23.8/kg	NT$16.9/kg	NT$10/kg
Beef Variety Meats	20-50%	20-25%	17.5-20%	15%
Bovine Bones	50%	35%	35%	35%

Sanitary Regulations

In order to export meat to Taiwan, a country's meat quarantine inspection and health certification system must be reviewed and found acceptable by the Taiwan authorities. Currently, the only countries eligible to supply beef or beef variety meats to Taiwan are: the United States, Canada, Australia, New Zealand and Panama. In late 2001, Taiwan accepted Japan's FMD-free status, but Japanese and European beef are still barred entry due to Bovine Spongiform Encephalopathy (BSE) concerns. Unlike neighboring economies, Taiwan consumers did not associate beef consumption with BSE. Press coverage was rational and short-term which should allow beef exports to recover in 2002 - 2003.

The Dairy Sector

Domestic beef, mostly from culled dairy cattle, covers 5 to 6 percent of Taiwan's total beef demand. The dairy industry, one of the few profitable agricultural sectors in Taiwan, is not expected to shrink dramatically following the removal of the fluid milk import ban resulting from WTO entry. Although some consolidation is expected, Taiwan's dairy industry is expected to successfully compete against milk imports since fresh milk is normally supplied locally and is expensive to ship. The sector's prospects will also be helped by the a stable market for fluid milk and the limited market share of competing milk powder. In the years to come, Taiwan will likely maintain its dairy cattle industry and begin to buy some seedstock overseas to improve its dairy cattle genetics. However, the old Holstein-only policy has been changed. Other breeds now have market access although imports of seedstock still require Council of Agriculture approval, reportedly for management purposes only.

PORK

Table 5. Taiwan Swine Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
TOTAL Beginning Stocks	7495	7495	7165	7165	7000	7000
Sow Beginning Stocks	915	915	838	838	0	860
Production (Pig Crop)	10500	11301	10300	10300	0	10600
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	17995	18796	17465	17465	7000	17600
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	10130	10420	9900	9900	0	10000
Total Slaughter	10130	10420	9900	9900	0	10000
Loss	700	1211	565	565	0	600
Ending Inventories	7165	7165	7000	7000	0	7000
TOTAL DISTRIBUTION	17995	18796	17465	17465	0	17600
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Table 6. Taiwan Pork Production, Supply and Distribution

PSD Table						
Country	Taiwan					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	10130	10420	9900	9900	0	10000
Beginning Stocks	0	0	0	0	0	0
Production	910	962	900	915	0	925
Intra EC Imports	0	0	0	0	0	0
Other Imports	15	14	30	20	0	25
TOTAL Imports	15	14	30	20	0	25
TOTAL SUPPLY	925	976	930	935	0	950
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	925	976	930	935	0	950
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	925	976	930	935	0	950
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	925	976	930	935	0	950
Calendar Yr. Imp. from U.S.	12	11	15	15	0	20
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

The conversion factor used to derive pork meat to carcass weight equivalent (CWE) is 1.43. Imports of pork bones are also included in the PS&D Table at a conversion factor of 1.0. Imports of pork variety meats (offal) are not included in the PSD table. This report includes pork trade under HS 0203. Trade of processed pork, under HS 021011, 021012, 021019, 160241 and 160242, has been negligible (below 500 mt).

Production

In 2002, pig production (fat pigs slaughtered) is estimated at 9.9 million head, down 5 percent from 2001. This exceeds COA's target production of 9.3 million. Good 2002 prices are expected to increase 2003 production to 10.0 million head. Further growth will be limited by farmers fears over the increased import quota size in 2003 and 2004 despite the likelihood of only minor TRQ imports.

Table 7. Taiwan Hog Population Data

	May 2001	Nov. 2001	May 2002
No. of farms	14,764	13,753	13,024
Pigs on farm	7,393,524	7,164,605	6,920,763
Boars	41,718	39,086	36,640
Sows/gilts	881,489	837,776	800,603
Sows	786,989	748,926	720,911
Gilts	94,500	88,850	79,692
Fattening pigs	6,470,317	6,287,743	6,083,520
Piglets	1,085,425	1,028,182	1,061,922
Under 30 kg	1,894,081	1,773,875	1,795,175
30-60 kg	1,754,628	1,748,347	1,632,029
Above 60 kg	1,736,183	1,737,339	1,594,394

Source: Council of Agriculture

Despite favorable 2003 production prospects, the number of breeding and standing pigs is continue to decline through 2002. In the first half of 2002 pig production was smaller than in 2002 while in the second half of year it is expected to be even smaller. As a result, pig auction prices are expected to increase through 2002. Although good prices in 2002 may encourage pig production in 2003, higher feed prices will increase costs and reduce profitability.

Table 8. Taiwan Pig Auction Prices (NT$/100 kg)

CY2001	01/2002	02/2002	03/2002	04/2002	05/2002	06/2002	07/2002	08/2002 (est.)
4,013	4,056	4,004	3,767	3,707	4,136	4,625	4,698	4,800

Source: Council of Agriculture

* Roughly NT$33=US$1 in 2000; NT$34.5=US$1 in 2001; NT$35=US$1 in January 2002 and NT$34.3 in August 2002.

In 2002, the break-even point for hog production is roughly at NT$4,000/100 kg. Taiwan farmers tend to keep the pigs longer (about 6.5 months) on farm than their U.S. counterparts. The average weight for slaughter pigs have been

110 kg/head for years. The direct cost of hog production was NT$3,898/100 kg in 1999 and NT$3,676/100 kg in 2000. (source: Animal Technology Institute, Taiwan) In 2001, production cost was estimated at around NT$3,800/100 kg and auction prices averaged NT$3,997/100 kg. Key factors contributing to lower costs were reduced piglet prices and feed costs. In 2003, feed costs are expected to rise in line with higher corn prices. Although some local producers were concerned about Taiwan's competitiveness, local hog farmers are still profitable even after the previously-banned pork items were allowed entry in 1998 under the WTO pre-accession Down Payment quotas.

Although Taiwan's swine sector faces significant challenges after WTO entry, agriculture officials anticipate that the local hog industry will not contract significantly in the immediate post-accession environment due to continuing quota controls and a relatively cost-competitive domestic industry (production costs are estimated at 1.2~1.7 times that of North American and European producers). Taiwan's industry will also likely continue to experience periodic disease problems introduced into their livestock population by contraband imports of Chinese swine. However, some contraction in domestic production, consolidation of the small farms and a slow anticipated rise in consumption will result in increased import demand for pork meat and offal in the medium-term. In the long term, the largely efficient pig industry will continue to produce pork for the local market, with imports mainly for processing or to supplement occasional shortfalls.

Before the FMD outbreak in 1997, Taiwan was a net pork exporter with prime meat being exported to Japan and offal left for domestic consumption. About 30 percent of pigs (3.8 million head) were depopulated in 1997 for FMD reasons. Imports of pork offal will continue to supplement the depressed post-FMD supply in the Taiwan market. U.S. packers reported that they are making necessary adjustments to modify their production specifications to so that they can remain the dominant overseas suppliers to the Taiwan market.

Trade

After a sluggish start in the first half of 2002, imports are expected to pick up in the second half year as pig prices rise. In 2002, Canada continues to be a serious competitor for the U.S. in the Taiwan pork market because of its relatively low prices. At present, U.S. products are currently several cents cheaper than Canadian products. Given the competitiveness of Taiwan pork production, trading volumes and market shares will be very sensitive to price. The demand for pork offal remained very strong in 2001-2002 and is expected to remain so in 2003 and beyond.

Table 9. Taiwan Pork Meat Imports, 2001 and Jan-June 2001 & 2002 (mt)

Country	U.S.	Canada	Australia	EU*	Total
2001	7,293	2,211	46	233	9,783
-'01 Share (%)	*75%*	*23%*	*<1%*	*2%*	
2001 (Jan-June)	5,500	1,230	3	48	6,781
2002 (Jan-June)	1,704	925	2	0	2,632
-'02 Share (%)	*65%*	*35%*	*<1%*	*0%*	

Source: Customs statistics
* Denmark/Sweden
**Trade data do not distinguish between imports in and out the TRQs. However, out-of-quota imports are negligible.

Total 2002 pork imports are estimated at 6,000 mt of bellies (out of 6,160 mt of quota) and 6,500 mt of non-TRQ items = 12,500 mt x 1.43 = 18,000 mt CWE plus 2,000 mt of pork bone imports (conversion factor 1.0) Pork belly imports (under TRQ): 4,700 mt (out of 6,160 mt), meaning that imports of non-quota items were 5,013 mt.

Trade in pork bones from January to June 2002 was up sharply from 2001 levels. While in 2001, imports totaled only 434 mt (including 24 mt from the U.S), 2002 trade totaled 943 mt, including 427 mt from Canada, 72 mt from Denmark, 48 mt from Australia and 396 mt from the U.S.

Policy

Upon Taiwan's WTO accession, the former "down payment" quotas for pork bellies and pork offal were transformed into Tariff Rate Quotas (TRQ), with the initial quota size unchanged from the former quotas, i.e. 6,160 mt for bellies and 10,000 mt for offal. Tariff rates were lowered with WTO entry. In subsequent years, quotas for pork bellies and pork offal will increase and tariff rates will decline in 2003 and 2004 as detailed in Table 10. In 2005, TRQs will be phased out and duties bound at 12.5% for pork meat and 15% for pork offal.

Table 10. Taiwan Pork Belly and Pork Offal TRQ

	Pork Bellies			Pork Offal		
	2002	2003	2004	2002	2003	2004
Tariff Rate (%)	15	13.7	12.5	25	20	15
TRQ Qty. (mt)	6,160	10,780	15,400	10,000	18,750	27,500
Out-of-Quota Rate (%)	60	55	50	310	287.5	265

All TRQ items have been moved to a new Chapter 98 of Taiwan's Tariff Schedule. Pork products that which are not subject to TRQ or enter outside of the TRQ (and are subject to out-of-quota rates) are classified under the original tariff classifications in Chapter 2 (for uncooked meat), Chapter 5 (for animal offal) and Chapter 16 (for processed meat). TRQs are available for all WTO members that meet Taiwan's quarantine requirements, except products from the People's Republic of China which are banned.

TRQ Utillization

As of September 2002, total TRQ imports are 2,249 mt for pork belly and 7,005 mt for pork offal. (Source: Central

Trust of China) According to CTC, the pork offal TRQ is nearly all filled, with only 26 mt set for reallocation. In contrast, the pork belly TRQ has 1,591 mt available. Belly spare ribs (soft ribs) have been the most popular items in the belly quota. Country breakdown for TRQ imports were not available. Given these trends, it is likely that the 2003 pork offal TRQ will be fully utilized but that pork belly may not.

TRQ Regulations

On August 8, 2002, Taiwan announced its 2003 TRQs which will total 10,780 mt for pork bellies and 18,780 mt for offals. The application period will run from October 7-9, 2002 with the announcement made on October 23, 2002. Importers or exporters registered with Taiwan's Board of Foreign Trade are eligible to apply. The 2003 TRQ performance bond (NT$2,150/mt for pork belly and NT$2,200/mt for pork offal) must be paid by June 1, 2003, which is two months earlier than under the 2002 TRQ mechanism.

On January 7, 2002, the CY2002 TRQ for pork belly was successfully allocated through a lottery among 1,971 qualified applicants, to 246 bidders, each receiving 25 mt. The 2002 pork offal TRQ was allocated through a lottery among 2,218 qualified bidders to 400 bidders, each receiving 25 mt. A performance bond of NT$2,150/kg for pork belly and NT$2,250/mt for pork offal was intended to assure that all successful bidders actually utilize the quota.

Quotas are tradeable. In 2001, importers paid NT$11-13/kg to buy pork offal quota and NT$2-3/kg for pork belly quota under the down payment system. In January 2002, the price paid for TRQ rights was roughly NT$8/kg for offal and NT$2/kg for bellies. Per Taiwan's WTO accession agreement, TRQ certificates are valid from January 1 to September 1 and can be extended to December 31 with a signed contract. Arrival dates can be postponed to December 31, 2002 if a signed contract is presented to the Central Trust of China (CTC) before the deadline (application made to CTC from August 1 to 25, 2002). Unused TRQs will be reallocated. Application for the reallocation is from September 5 to 7, 2002, allocation outcome will be announced 9/16/02.

The annual TRQ system, which allows importers to plan for arrivals through the whole year, was a great improvement over the 2001 pre-accession quota mechanism. The 2001 mechanism, with one fourth of the annual quota amount being auctioned and valid for three months only, made quota certificates very scarce and valuable.

Non-TRQ Duties

Effective January 1, 2002, Taiwan redefined "pork offals" to include only hocks, feet, skirt, guts (including intestines and rectum) and stomachs. Remaining pork variety meats were liberalized with WTO entry. Items such as kidneys, tails and hearts no longer require a quota and are effectively liberalized.

The out-of-quota rates for pork bellies are 60 percent in 2002. The rate will fall to 55 percent in 2003 and 50 percent in 2004. Out-of-quota rates for pork offal are 310 percent in 2002 and will fall to 287.5 percent in 2003; and 265 percent in 2004. Imports will be liberalized in 2005 and tariffs for all pork offals will go down to 15 percent. A tariff comparison for other pork products not subject to TRQ is listed below:

Table 11. Tariff Comparison for Pork Imports Not Subject to TRQs (%)

Pork Category/Year	2002	2003	2004
Carcass, Hams, Shoulders and Cuts	15	13.7	12.5
Other Pork Cuts	14	13.2	12.5
Non-TRQ Variety Meats	25	20	15
Pork Bones	35	35	35
Pork Tendon*	25	20	15

* Imports of pork tendon were liberalized in 2002 upon WTO entry, meaning that quota certificates are no longer required. However, the import duty for this item was raised from 15% to 25% in 2002. To Post's knowledge, this is the only agricultural item subject to a higher tariff after Taiwan's WTO accession.

Special Safeguards

Both pork bellies and pork offal are subject to a Special Safeguards (SSG) regime, based on Article 5 of the WTO Agreement on Agriculture. According to the calculations of the Council of Agriculture (COA), the trigger level for pork belly imports is 12,886 mt and for pork offal it is 21,376 mt. Although demand for pork offal is strong, the high out-of-quota duty will strongly discourage imports above the TRQ level. Lower out-of-TRQ duties make it possible but still unlikely that pork bellies will exceed SSG trigger levels in 2003. Given the low 2002 TRQ and high out of quota rates, it is unlikely that imports will rise above SSG trigger levels until 2004 when the TRQs exceed rise above them. However, liberalization in 2005 will very likely trigger SSG duties.

Sanitary Regulations

In order to export meat to Taiwan, a country's meat quarantine inspection and health certification system must be reviewed and found acceptable by the Taiwan authorities. Taiwan currently allows imports of pork/pork offal from the U.S., Australia, New Zealand, Canada, Denmark, Japan and Hungary. A Dutch request to export pork to Taiwan in 2001 was rejected after a European Foot-and-mouth disease (FMD) outbreak. Korea's application for FMD-free recognition was denied in December 2001. South Korean pork offal is regarded by Taiwan importers as potentially very competitive if allowed entry.

Countries not currently approved to export meat products to Taiwan must formally apply for approval. The approval process requires bilateral negotiations and on-site inspections of production and processing facilities which can take several years to complete. FMD concerns are likely to keep competitive South Korean and Chinese pork products off the Taiwan market for at least two-to-three years.

China and Swine Sector Investment

Currently Mainland Chinese pork, pork offals, and pork products are banned entry into Taiwan. Taiwan is expected to gradually relax these administrative controls, but the Mainland will still face SPS hurdles in exporting to Taiwan. Even if permitted, imports from the Mainland would face other barriers such as the lack of a working relationship between China and Taiwan's quarantine services and the lack of direct shipping routes. Taiwan authorities have also banned investment by Taiwan companies in Mainland livestock and meat packing operations although there may be covert investment in these sectors.

In recent years, uncertainties over the effects of post-WTO trade liberalization has kept Taiwan's swine industry from investing in imported breeding stock. Now that Taiwan is a WTO member and swine farming has remained profitable, the industry will begin to buy seedstock overseas to improve Taiwan's swine genetics. In the first half of 2002, Taiwan imported breeding stock from Canada. Taiwan previously allowed only 4 lines of purebred pigs, Hampshire, Yorkshire, Duroc and Lanrace, to be imported for breeding purposes. This limit has been lifted in line with WTO accession. However, imports of breeding pigs still require a Council of Agriculture approval, reportedly for management purposes only.

Useful Internet Sites

Taiwan's tariff schedule is available at http://www.doca.mof.gov.tw. After Taiwan's accession to the World Trade Organization (WTO) on January 1, 2002, a new chapter, Chapter 98, was established in Taiwan's Customs Tariff Schedule to cover all products which are permitted entry under Tariff Rate Quota (TRQ). However, this chapter is used to tabulate current tariff rates and trade restrictions for the TRQ items. Actual trade statistics are available at http://www.trade.gov.tw. Most Taiwan (.tw) domain websites are only in Chinese, but the amount of English content is increasing.

http://www.coa.gov.tw/english/index.htm for agricultural statistics and general agricultural information (in English).
http://www.baphiq.gov.tw for Taiwan quarantine requirements (English version available).
http://www.trade.gov.tw/english.index.htm for trade statistics, trade rules, TRQ bidding rules and general trade information (English version available).
http://www.wto.org The WTO's website for information about Taiwan's WTO accession.
http://www.docamof.gov.tw for tariff reduction schedule (soon in English) and TRQ implementation measures.
http://www.ctoc.com.tw for Central Trust of China's TRQ announcement (Chinese only).
http://www.dgoc.gov.tw for Special Safeguards application (Chinese only).
http://www.naif.org.tw for pig auction prices and pork retail prices (Chinese only).